

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01

ERDA-05 DODE-00 FPC-01 H-02 INT-05 L-02 NSC-05 PM-03

USIA-06 SAM-01 OES-03 SS-15 STR-04 /127 W

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P R 171318Z MAY 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 7108

INFO AMEMBASSY THE HAGUE

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 12645

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: MAY 14 MEETING OF AD HOC GROUP ON
DATA/ALLOCATION

REF: 110487

1. TRIGGER CALCULATION: MAY 14 MEETING OF AD HOC GROUP IN THE HAGUE (WITH GILLAM OF BP REPRESENTING IAB) SPENT ALMOST ENTIRE TIME IN SOMEWHAT CONFUSED DISCUSSION OF IAB COMMENTS ON TRIGGER CALCULATION QUESTION. MAJOR PROBLEM DISCUSSED WASHOW TO CALCULATE THE "NORMAL DAILY RATE OF OIL SUPPLIES" AT ONSET OF CRISIS, AND HOW TO CALCULATE DISRUPTED RATE OF SUPPLIES CREATED (OR PROJECT-ED) BY CRISIS ITSELF, IN ORDER TO COMPARE DIFFERENCE WITH THE 7 OR 12 PERCENT OF TEST STANDARD BASE PERIOD PROVIDED FOR IN IEP.

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2. CHAIRMAN VAN RHIJN POINTED OUT THAT IAB. PAPER'S

CONCLUSION THAT NORMAL LEVEL OF SUPPLY SHOULD BE CONSIDERED THE SAME AS FINAL CONSUMPTION DURING THE BASE PERIOD COULD RESULT IN INACCURATE CALCULATION BECAUSE OF PROBABLE GROWTH IN CONSUMPTION BETWEEN THE HISTORICAL FOUR QUARTER BASE PERIOD STIPULATED IN THE IEP AND THE CURRENT LEVEL OF CONSUMPTION. HE ALSO WAS CONCERNED THAT COMPARING A DISRUPTED LEVEL OF "SUPPLIES" FIGURE WITH A "FINAL CONSUMPTION" FIGURE MIGHT CREATE SOME DISTORTION. CHAIRMAN AND SECRETARIAT REPS THEREFORE PRESSED COMPANIES TO DEVELOP DEFINITION OF NORMAL SUPPLIES CLOSER TO CURRENT LEVELS. CHAIR RECOGNIZED THAT ATTEMPTING TO FACTOR IN THIS ADDITIONAL CALCULATION MIGHT INTRODUCE NEW ELEMENT OF UNCERTAINTY RE AUTOMATICITY BECAUSE OF LACK OF DATA ON CURRENT SUPPLIES.

3. VAN RHIJN SUGGESTED CALCULATION OF DISRUPTION IN SUPPLIES MIGHT BE DONE IN ONE OF TWO WAYS (THIS FIGURE WOULD THEN BE COMPARED WITH TEST STANDARD FIGURE TO SEE IF TRIGGER SHOULD BE PULLED): A) SUBTRACT DECLARED LEVEL OF REDUCED LIFTINGS (OR PRODUCTION, WHICH HE ASSUMED TO BE APPROXIMATELY SAME OVER TIME) FROM NORMAL LIFTINGS/ PRODUCTION; B) SUBTRACT DECLARED LEVEL OF REDUCED LIFTINGS/PRODUCTION FROM FINAL CONSUMPTION OVER TEST STANDARD FOUR QUARTER BASE PERIOD, BUT ADJUST BASE PERIOD CONSUMPTION TO INCLUDE SOME ALLOWANCE FOR INTERIM GROWTH IN CONSUMPTION (HE FELT EASIEST AND MOST AUTOMATIC ADJUSTMENT WOULD BE MULTIPLICATION BY A GNP GROWTH FACTOR SINCE FIRST ALTERNATIVE LEFT UNRESOLVED THE DEFINITION OF THE TERM "NORMAL", CHAIRMAN PERSONALLY FAVORED SECOND ALTERNATIVE AS SIMPLEST SOLUTION, ALTHOUGH IT STILL RETAINED DISADVANTAGE OF COMPARING A PRODUCTION OR SUPPLIES FIGURE WITH A CONSUMPTION FIGURE.

4. IAB REPS POINTED OUT THAT BECAUSE OF TIME LAG PROBLEM, UP TO DATE DATA ON EITHER LIFTINGS OR PRODUCTION ARE HARD TO GET. IAB THEREFORE CONTINUED FAVOR USING FINAL CONSUMPTION IN IEP BASE PERIOD AS DEFINITION OF NORMAL RATE OF SUPPLIES. HOWEVER, IAB REP EXPRESSED NO CLEAR VIEWS ON HOW, AND WHAT TIME PERIOD SHOULD BE USED

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TO CALCULATE AMOUNT OF DISRUPTION IN SUPPLIES (EITHER ACTUAL OR PREDICTED) IN EVENT OF CRISIS.

5. ALTHOUGH UK AND ITALY APPEARED SUPPORT CHAIRMAN'S POSITION THAT IAB FORMULATION NEEDED TO BE REVISED, OTHER DELEGATIONS WERE MORE RESERVED. FRG POINTED OUT THERE NO PRECISELY CALCULABLE LINK BETWEEN GNP GROWTH AND ENERGY CONSUMPTION. FURTHERMORE, SINCE GOVERNMENTS

AND IAB WOULD BE LOOKING CAREFULLY AT ALL CIRCUMSTANCES SURROUNDING TRIGGER CALCULATIONS BEING DONE BY SECRETARIAT DURING CRISIS, HE BELIEVED THERE WOULD BE OPPORTUNITY AT THAT TIME TO APPLY JUDGMENT IF IT APPEARED INTERIM GROWTH IN ENERGY CONSUMPTION WAS GOING TO DISTORT CALCUALTIONS. THEREFORE, FRG SUPPORTED IAB FORMULA AS SIMPLEST AND LIKELY TO RESULT IN GREATEST AUTOMATICITY, WHICH ONE OF MAJOR PURPOSES OF ENTIRE EMERGENCY PROGRAM. USDEL ALSO SUPPORTED IAB FORMULATION AND STRESSED NEED FOR MAXIMUM AUTOMATICITY.

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6. CHAIRMAN CONCLUDED THAT SECRETARIAT, WITH HELP OF IAB, SHOULD CLARIFY TRIGGER OPTIONS FURTHER (KEEPING IN MIND NEED TO RETAIN MAXIMUM POSSIBLE AUTOMATICITY), AND SHOULD PRESENT PAPER ON THIS SUBJECT TO NEXT SEQ MEETING. SOMEWHAT CURIOUSLY (SINCE ISSUE WAS NOT

ADDRESSED DURING COURSE OF DISCUSSION) CHAIRMAN ALSO CONCLUDED THAT COMPANIES SHOULD SEE IF THERE WAS ANY WAY OF MEETING PROBLEM RAISED PREVIOUSLY BY JAPANESE CONCERNING WHETHER IEP BASE PERIOD ITSELF MIGHT BE MODIFIED IN ACTUAL APPLICATION TO INCLUDE ALLOWANCE FOR GROWTH IN ENERGY CONSUMPTION.

7. COMMENT: SECRETARIAT REP HUGGINS ALSO WAS CRITICAL OF IAB PRESENTATION ON TRIGGER SAYING IT APPEARED TO HIM COMPANIES WERE ATTEMPTING AVOID ELABORATION OF FINELY TUNED TRIGGER, AS SOUGHT BY SECRETARIAT AND CHAIRMAN, AND INSTEAD WERE SEEKING IMPLEMENT RATHER "ROBUST" CONFIDENTIAL

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OR CRUDE TRIGGER THAT WOULD REQUIRE MAXIMUM DEGREE OF COMPANY AND GOVERNMENTAL JUDGMENT IN EMERGENCY, THEREBY REDUCING TRIGGER'S AUTOMATICITY. IAB REPS AGREED THAT "ENVIRONMENTAL" CONSIDERATIONS AT TIME OF CRISIS WOULD BE EXTREMELY IMPORTANT, BUT IAB FORMULATIONS WOULD STILL PROVIDE MORE AUTOMATICITY THAN OVERLY ELABORATE TRIGGER BASED ON FIGURES WHICH DIFFICULT TO OBTAIN OR CALCULATE.

8. COMMENTS ON OPERATIONS MANUAL: IN VERY BRIEF DISCUSSION ON THIS POINT, VAN RHIJN EXPRESSED DISAPPOINTMENT IN BREVITY OF IAB COMMENTS ON SECRETARIAT DOCUMENT, SAYING HE HAD EXPECTED FAR MORE TECHNICAL PAPER. HE ASKED COMPANIES IF THEY COULD REVIEW MANUAL AGAIN BEFORE NEXT MEETING OF IAB SUBGROUP A. (NOTE: PRICE DATA ISSUE REFERRED TO REFTEL DID NOT COME UP). KATZ

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